

FISCAL NOTE

Bill #: SB0229

Title: Revise carryforward and carryback periods for corporate income tax

Primary Sponsor: Cobb, J

Status: As Introduced

Sponsor signature

Date

David Ewer, Budget Director

Date

Fiscal Summary

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
General Fund	\$0	\$0
State Special Revenue		
Federal Special Revenue		
Other		
Revenue:		
General Fund	\$0	\$2,500,000
State Special Revenue		
Federal Special Revenue		
Other		
Net Impact on General Fund Balance:		\$2,500,000

☐ Significant Local Gov. Impact

☐ Technical Concerns

☐ Included in the Executive Budget

☒ Significant Long-Term Impacts

☐ Dedicated Revenue Form Attached

☐ Needs to be included in HB 2

Fiscal Analysis

ASSUMPTIONS:

Department of Revenue:

1. Under current law, corporations doing business in Montana are allowed a net operating loss (NOL) carryback of up to 3 years and a carryforward of up to 7 years. Under this bill, the NOL carryback would be eliminated and the carryforward period would be reduced to five years for NOLs incurred for tax periods ending after July 1, 2005.
2. There is no means of estimating precisely the impact that this proposal would have on revenues in coming years. However, the Department of Revenue believes that the impact of this bill could be significant in that it completely eliminates one common method corporations currently use to reduce tax liabilities and revenues to the state general fund – the NOL carryback. Based on an examination of the amount of refunds that were issued in the past 7 years for NOL carrybacks, and controlling for extraordinary

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(continued)

occurrences of a one-time nature, the Department of Revenue estimates that this proposal will provide for a one-time increase in general fund revenue of about \$2.3 million. This proposal takes effect for tax periods ending after July 1, 2005. Most corporate taxpayers are 12/31 year-end filers; this would apply to the 12/31/2005 return. Since most of these returns are usually filed in October/November 2006 timeframe, this impact is estimated to arise in FY 2007 only.

3. Reducing the number of years for which an NOL carryforward may be taken from 7 to 5 would also likely have an impact that acts to increase state general fund revenues. This impact is estimated to be about \$200,000 per year, also beginning in FY 2007.
4. There is no impact to department of revenue administrative costs from this proposal.

FISCAL IMPACT:

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
<u>Revenues:</u>		
General Fund (01)	\$0	\$2,500,000
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	\$0	\$2,500,000
State Special Revenue (02)		
Federal Special Revenue (03)		
Other		

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

None.

LONG-RANGE IMPACTS:

General fund revenues are estimated to be increased by about \$200,000 per year in FY 2008 and thereafter.